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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 FEA-02 SAM-01 SCI-06 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01

PRS-01 SP-03 SS-20 USIA-15 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 DRC-01 /172 W
---------- 078918
R 081705Z MAY 74
FM AMEMBASSY ATHENS
TO SECSTATE WASHDC 3311
INFO AMCONSUL THESSALONIKI

C O N F I D E N T I A L ATHENS 2743

E.O. 11652: GDS
TAGS: EFIN, EIND, EMIN, ENRG, GR, US
SUBJECT: ADMINISTRATIVE FAILINGS OF PRESENT REGIME SERIOUSLY AFFECT FOREIGN INVESTMENT

REF: ATHENS 2109 AND 2187

DURING ITS FIRST SIX MONTHS OF OPERATION, REGIME OF BRIGADIER DIMITRIOS IOANNIDES AND PRIME MINISTER ADAMANTIOS ANDROUTSOPOULOS HAS SHOWN WITH REGARD TO FOREIGN INVESTMENT THAT IT LACKS CLEAR OBJECTIVES AND EFFECTIVE CENTRAL DIRECTION. THE RESULTING STUMBLING AND BUMBLING PERFORMANCE HAS BEEN COSTLY TO THE NATION AND HAS DAMAGED GREECE'S INTERNATIONAL INVESTMENT CLIMATE. FOLLOWING EXAMPLES ILLUSTRATE THIS AND ALSO DEMONSTRATE IN GENERAL THE DIFFICULTIES AND FRUSTRATIONS WHICH ARE FREQUENTLY ENCOUNTERED IN DEALING WITH PRESENT REGIME.

A. OCEANIC EXPLORATION. WITH COMPLETION OF TWO OFFSHORE WELLS IN THE PRINOS FIELD, GOG AT ALL LEVELS HAS PRESSED OCEANIC TO TAKE SPECIAL STEPS TO BEGIN COMMERCIAL PRODUCTION AS SOON AS POSSIBLE. OCEANIC, WHICH WOULD PREFER TO MOVE IN MORE ORDERLY
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FASHION, HAS BEEN HARD PRESSED DURING PAST WEEK BY DEPUTY

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MINISTER OF INDUSTRY EFTHYMIADES TO JOIN WITH KULUKUNDIS SHIP-OWNERS IN PREPARING BARGES AND OTHER METAL STRUCTURES IN GREECE AS FEASIBLE WAY OF SPEEDING UP EARLY CRUDE OIL DELIVERIES EVEN BEFORE PIPELINE AND SHORE FACILITIES ARE COMPLETED. AT SAME TIME, MINISTER OF INDUSTRY KYPREOS HAS TOLD OCEANIC OFFICIALS THEY SHOULD FEEL FREE TO MAKE THEIR OWN ARRANGEMENTS, NEED NOT WORK WITH KULUKUNDIS BROTHERS, AND EVEN SUGGESTED OCEANIC SEEK ASSISTANCE FROM FOREIGN FIRM WITH WHICH KYPREOS FORMERLY CONNECTED. IN DISCUSSING THIS PROBLEM WITH AMBASSADOR, OCEANIC PRESIDENT JACK GRYNBERG SAID HE HAD RAISED ISSUE WITH PRIME MINISTER ANDROUTSOPOULOS WHO SAID KULUKUNDIS BROTHERS WERE OBVIOUSLY ENGAGED IN A POWER PLAY VERGING ON BLACKMAIL. ANDROUTSOPOULOS ALSO PRESSED GRYNBERG TO BEGIN PRODUCTION WHICH IS "NEEDED FOR POLITICAL PURPOSES." GRYNBERG TOLD AMBASSADOR HE WAS SOMEWHAT FEARFUL THAT GOG OFFICIALS MAY TRY TO UPSET HIS EXISTING CONTRACTUAL ARRANGEMENTS IF HE DOES NOT TAKE EMERGENCY MEASURES TO START PRODUCTION.

B. ESSO CRUDE OIL CONTRACT. ALTHOUGH ESSO-PAPPAS NOTIFIED GOG THAT EXXON WOULD TERMINATE CRUDE DELIVERIES TO THESSALONIKI REFINERY IF NEW PRICE FORMULA WERE NOT AGREED TO BY END OF MARCH (SEE ATHENS 2109), GOG HAS SHOWN LITTLE INTEREST IN SERIOUS NEGOTIATION. DEPUTY MINISTER EFTHYMIADES TRIED IN BOTH MARCH AND APRIL TO REACH AN INTERIM ARRANGEMENT WITH ESSO BUT WAS FORE-STALLED BY MINISTER KYPREOS WHO DECIDED MATTER SHOULD BE REFERRED TO CABINET BUT NOT UNTIL LONG AFTER EXXON ACTUALLY TERMINATED ITS CRUDE SHIPMENTS. GOG CABINET HAS SINCE DECIDED TO STUDY LEGAL ISSUES INVOLVED. IN MEANTIME, SHIPOWNER-OIL REFINER JOHN LATSIS HAS BEEN SUPPLYING CRUDE OIL AND PRODUCTS AT SUBSTANTIALLY HIGHER PRICES THAN WOULD BE REQUIRED BY EXXON, AND EXXON HAS DECIDED TO HOLD UP ITS PLANS FOR FURTHER INVESTMENT IN GREECE.

C. ANDREADIS STRAN REFINERY PROJECT. GOG AFTER EFFECTIVELY CANCELLING COMPLETION OF STRAN REFINERY AT MEGARA (SEE ATHENS 2187 AND PREVIOUS) HAS CONTINUED TO DISCUSS RELOCATION OF PROJECT WITH PROFESSOR STRATIS ANDREADIS. HOWEVER, SINCE GOG HAS NOT RESPONDED TO ANDREADIS' PROPOSED CHANGES IN STRAN AGREEMENT, ANDREADIS HAS RECENTLY FILED A REQUEST WITH BANK OF GREECE FOR PERMISSION TO CONVERT DRACHMA INTO $25 MILLION SO THAT HE MAY TRANSFER THAT AMOUNT TO REPAY STRAN'S OUTSTANDING FOREIGN DEBT. CONFIDENTIAL

THUS IOANNIDES AND ANDROUTSOPOULOS IN EXERCISING PERSONAL VENDETTA AGAINST ANDREADIS HAVE GREATLY DELAYED COMPLETION OF NEEDED REFINERY, PLACED VALIDITY OF GREECE'S LONG-STANDING FOREIGN INVESTMENT LAW IN JEOPARDY, AND DAMAGED GREECE'S CREDIT-WORTHINESS WITH SOME IMPORTANT MEMBERS OF INTERNATIONAL BANKING COMMUNITY.

D. DELUXE HOTELS IN ATHENS DELAYED. TO OVERCOME LUXURY HOTEL

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SHORTAGE IN ATHENS, PAPADOPOULOS GOVERNMENT HAD AGREED TO PERMIT CONSTRUCTION OF LARGE HOLIDAY INN FRANCHISE HOTEL, FOUR HOTELS (INTERCONTINENTAL, LOEWS, CANADIAN PACIFIC AND ALITALIA) ON PHALERON DELTA, AND MARRIOTT-MANAGED HOTEL NEAR ATHENS HILTON. NEW REGIME HAS THUS FAR BROUGHT ALL THESE PROJECTS INTO QUESTION BY REFUSING TO HONOR AGREEMENT FOR HOLIDAY INN, THUS SUSPENDING FOUNDATION WORK; BY DECIDING FIRST THAT PHALERON DELTA HOTEL SITES SHOULD BE RESERVED FOR GOG OFFICE BUILDINGS AND NOW APPARENTLY DECIDING THAT PERHAPS IT MAY BE BEST TO RESUME PLAN TO LET HOTELS BE CONSTRUCTED AT DELTA BUT UNDER NEW GUIDELINES YET TO BE ISSUED; BY SUSPENDING MARRIOTT CONSTRUCTION UNTIL CABINET CAN DECIDE WHETHER PROJECT SHOULD BE UPSET BECAUSE OF OPPOSITION TO LOCATION OF HOTEL. NET RESULT HAS BEEN MAJOR AND COSTLY DELAYS AND FRUSTRATIONS FOR ALL SUCH PROJECTS AS WELL AS VERY SUB-STANTIAL LOSSES IN FOREIGN EXCHANGE.

E. CERRO ASBESTOS MINE PROJECT. AS PRESENT REGIME HAS HELD UP AGREED DRACHMA EXPENDITURES AND IGNORED INVESTMENT CONTRACTS, CERRO HAS SUSPENDED ITS PLANS TO DEVELOP $30 MILLION PROJECT WHICH WOULD GENERATE SUBSTANTIAL FOREIGN EXCHANGE EARNINGS FOR GREECE.
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